

Retiring Times

Volume 1 Number 2 Retired Teachers Summer 2001

Message from Vermont State Treasurer James Douglas

We all hear about how little Americans save. Will you have enough for retirement? I know, you have your pension plan and social security, but will that be enough when the time comes? A three-legged stool is often used to describe retirement needs for most individuals. The three legs consist of: 1) a pension plan, 2) social security and 3) personal savings. No stool will stand alone on only two of these three legs.

I hope you have already invested in a tax-advantaged savings plan. You have three options: traditional IRA's, Roth IRA's and, as teachers, you have access to a 403(b) savings plan. A 403(b) plan is nearly identical to its corporate counterpart, the 401(k) plan. Vermont NEA has endorsed two providers of such plans, and the Federal government has recently increased your pre-tax contribution limit to \$11,000 for next year. Your school district will have information on which 403(b) plans are available to you. In addition, the contribu-

tion can be directly deducted from your paycheck. It is a wonderful way to save for retirement – with before-tax dollars.

Do you think that you cannot afford to save? I bet you can. It can often be difficult to put aside a little bit out of each paycheck, but even a little bit of money put aside in a tax-deferred savings plan can grow to a tidy nest egg when compounded over time. If you save just a minimum of \$20 every two weeks over a 30-year time horizon, you could have nearly \$60,000 when you retire at the end of those 30 years, if your investments compound at only 8%. Besides, since your contributions are pre-tax, you will see a bi-weekly paycheck reduced by only \$16.25 because you save \$3.75 in taxes. If you are in a higher tax bracket, your tax savings are even greater.

If you don't have 30 years until retirement,

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Message from Director of Retirement Cynthia L. Webster

It was a relatively quiet year at the State House for active teachers. The primary thrust for teachers in the Legislature was an increase in the amount of medical premiums paid by the system for retired teachers. After many versions were considered, a provision was finally included in the Appropriations Bill to increase the retirement system's share of a retiree's premium from 50% to 65%. The applicable standard plan was also changed for FY 2002 only from the JY Plan, which is the most expensive, to the \$250 Comprehensive Plan.

The following housekeeping items for active teachers were also passed:

- a provision to allow teachers who take an approved leave of absence to serve in the military to receive full retirement credit if they return to work within a specified period of time.
- a change in the criteria for a dependent beneficiary to receive a survivorship benefit upon the death of an active teacher. The criteria were changed from a requirement that the teacher be age 55 with 10 years of service to age 55 with 5 years. The 20 year service

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Treasurer's Message (continued from page 1)

your money will still compound and grow. Besides, now that you are a little older, perhaps you can afford to save more than the minimum out of each paycheck. Even after 10 years, the \$20 minimum could grow to over \$7500 and a \$200 contribution per paycheck could grow to more than \$75,000 - three times what you contributed. At present, the maximum you can contribute each year is 25% of your salary, or \$10,500, whichever is less. Most 403(b) plans offer a variety of different investment options. Often the majority of these are mutual funds, including domestic stock funds, international stock funds, bond funds, blended funds and annuities.

Another tax-advantaged savings plan available in Vermont is the Vermont Higher Education Investment Plan offered through the Vermont Student

Assistance Corporation (VSAC). This plan helps parents save the money necessary to provide for a college education for their children. The contributions are after-tax, but when withdrawals are made for qualified higher education expenses, the income is exempt from Vermont State Income Tax and is scheduled to be exempt from Federal Income Tax next January 1.

I urge all of you to consider investing in some tax-advantaged savings plan. I have been contributing to them for years, and it has been terrific to watch my assets grow. Now is the time to start saving; a little bit can go a very long way when it has a long time to grow before you retire.



Election Results for the Board of Trustees

Retirement Board of Trustees

Chair: James Douglas,
Vermont State Treasurer

Ex Officio Members:
K. Blythe McLaughlin,
*Dept of Banking, Insurance,
Securities & Health
Care Administration*
Vaughn Altemus, *Dept of
Education*

Active Teachers:
Jon Harris
Joe Mackey

Retired Teacher:
Jay Kaplan

Director of Retirement
Operations:
Cynthia Webster
133 State Street
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Vermont 05633-6901
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3191 (In-State)

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The Vermont State Teachers' Retirement System had an election for a trustee position this spring. Both candidates – Christine Landon and Joseph Mackey - had excellent qualifications.

A total of 1,495 votes were received by June 7 and counted. The results were 635 votes for Christine Landon and 860 votes for Joseph Mackey. This very close election was won by the incumbent, who will serve another three-year term on the Board of Trustees.

The Retirement Office congratulates both candidates and thanks teacher representative Murdo "Tony" Campbell for witnessing and helping with the count.

Special Notice on Military Service

New legislation allows veterans of the Korean or Vietnam Conflicts to receive retirement credit for that service through the Vermont State Teachers' Retirement System as well as a military pension from the national guard or reserves. To be eligible, veterans must have served between June 25, 1950 and January 31, 1955 or August 5, 1964 and May 7, 1975. They also must have retired prior to these dates:

For Group A retirees, they must have retired prior to July 1, 1995.

For Group B retirees, they must have retired prior to July 1, 1983 and served during the Vietnam Conflict, or

For Group B or C retirees, they must have retired prior to July 1, 1992 and served during the Korean Conflict.

If these criteria are met, the veteran could receive an adjustment to his pension which is retroactive to the date of his retirement. He must also meet all other eligibility criteria for a military grant or purchase of service for active teachers.

To apply for this pension credit, please send a copy of your DD-214 and verification of entitlement to a military pension from the national guard or reserves to the Retirement Office at 133 State Street, Montpelier, VT 05633.

requirement if the teacher is under 55 was not changed.

- removal of the restriction that disqualifies an active teacher who served in the military during the Korean or Vietnam Conflict periods to receive a grant of credit if they are eligible to receive a military pension for *non-regular* military service. Non-regular military service is defined as guard or reserve duty. This provision brings Vermont into compliance with the federal law. (See articles on pages 2 and 3 for more information on the impact of new legislation on retired teachers.)

Cynthia L. Webster

Special Notices From the Director of Retirement

Your pension checks will look different this month. Among the changes are their color (white instead of gray) and the bank name on the pension check. Don't be confused by these changes-it is still your check.

Also, we now know the Cost Of Living increase for next year. For Plan B and C members, it is 1.6%. For Plan A members, it is 3.2%. These increases will be effective January 1, 2002.

Military Stipend Payments for Retired Teachers

The Retirement Office has received close to 200 applications for the one-time military stipend. **The first checks should go out by the end of August.** Veterans will receive \$500 for each year of full-time military service during a recognized conflict period, up to a maximum of three years or \$1,500.

In case you haven't heard, the Legislature approved a one-time payment for veterans who meet these four criteria. First, they must have at least one year of full-time military service during the World War II, Korea, or Vietnam eras – combat service is not required. Second, the veterans cannot be receiving a pension for military service, unless it is for service in the national guard or reserves. Third, the veterans must have at least 15 years of employment as a teacher and member of the Vermont State Teachers' Retirement System (including any time purchased for other employment). Fourth, the veteran must have retired prior to the time that state law authorized credit for military service in the retirement system. (For Group A retirees, that would be prior to July 1, 1995, with service during the Korean or Vietnam Conflicts. For Group B retirees, they must have service during the Vietnam Conflict and retired prior to July 1, 1983. For Group B or C retirees, they must have service during the Korean Conflict and retired prior to July 1, 1992. The World War II stipend can be received by anyone who retired with 15 or more years of service credits in the

Teachers' Retirement System, served during the war, and has not received a military pension.)

If you meet these criteria or have questions about the stipend, please contact the Retirement Office. Ask for Cindy Stevens at 802-828-2305 or 1-800-642-3191 (toll free only within Vermont).

Federal Tax Relief Bill May Affect Pension Checks

The US Congress recently passed a tax relief bill. If the taxable portion of your monthly pension check is for an amount greater than \$2,392 for a single retiree or \$4,158 if you are a married retiree, you will have a small reduction in federal income taxes. If the taxable portion of your monthly pension check is less than \$2,392 for a single retiree or \$4,158 for a married retiree, then your federal income tax will not decline.

The taxable portion of your pension check consists of all contributions by your employer and all pre-tax contributions by you. The portion of your pension check that you contributed to your retirement account through payroll deductions while you were working and were taxed at the time of your payroll deduction are not taxed when you receive your pension check.

Health Plan Changes

The cost of the health care plans has increased dramatically in the last four years. To maintain high-quality choices and to combat these cost increases, some exciting changes will be made in the health care plans. These changes will take effect next summer (July 1, 2002) and are briefly summarized below.

The JY plan will still be offered and the price will be roughly the same. The “prior authorization” provisions will be more clearly identified, but it will still be a high-quality health insurance plan. Other changes will be minor and most members of this plan will probably see them as improvements.

In the VHP plan, the most dramatic change is the elimination of referrals for in-network specialty care in most situations. However, the fee for all specialty providers will rise to \$15. The visit fee for the primary care physician will remain at \$5.

The \$250 Comp Plan will be the only one that does not change. It has become the “standard” plan for determining the Retirement Office’s portion of the costs for health insurance premiums for

retirees. (See Message from Retirement Operations Director for more information on this change.)

A new plan will also be added. It is a catastrophic” or “major medical” insurance plan with a \$1,000 deductible. In exchange for its high deductible, however, premiums will be approximately 30% less than the JY plan and 20% less than the Dual Option plan.

The Retirement Office purchases these medical plans from the Vermont Education Health Initiative (VEHI), a non-profit managed by VT-NEA and VT Schools Insurance Trust. VEHI has worked with Blue Cross Blue Shield on the new plans to improve their features while maintaining affordability.

Watch for details of these plans from VEHI and Blue Cross Blue Shield. Information will be sent to all retirees this fall and next spring on the new health care plans. VEHI will also hold informational meetings throughout the state for all teachers, active and retired.

Vermont State Teachers’ Retirement System
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